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Memorandum for: RECORD

This memorandum was requested by William M. George Director, International Economic Policy, Office of the Assistant Secretary of Defense and was prepared by [redacted] the Western Europe Division. 25X1

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[redacted] 25X1

Central Intelligence Agency

Washington, D.C. 20505

MEMORANDUM FOR: Mr. William M. George
Director, International Economic Policy
Office of the Assistant Secretary of Defense
International Security Policy

SUBJECT : NATO Country Economic Summaries [redacted] 25X1

Attached are the NATO Country Economic Summaries requested in your 19 October action memorandum. If you have any further questions or if we can be of further assistance, please call [redacted] 25X1

[redacted] 25X1

Director
European Analysis

Attachment:
as stated

EUR M 84-10230
[redacted] 25X1

[redacted] 25X1

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BELGIUM-LUXEMBOURG: GENERAL ECONOMIC DATA

BELGIUM

Population (1983): 9.9 Million   GDP (Purchaser's Value)/Capita: $8,320

Total Output (Billion $US - 1983 Exch Rate)	1981	1982	1983	1984*
GDP (Purchaser's Value - Current Prices)	71.3	77.1	82.0	87.3
GDP (Constant Prices - % Change by Year)	-1.7	0.7	0.3	1.5
Cost-of-Living Index (1980 = 100)	110	117	122	128

LUXEMBOURG

Population (1983): 0.37 Million   GDP (Purchaser's Value)/Capita: $12,700

Total Output (Billion $US - 1983 Exch Rate)	1981	1982	1983	1984*
GDP (Purchaser's Value - Current Prices)	3.8	4.5	4.7	4.9
GDP (Constant Prices - % Change by Year)	3.1	2.1	-0.4	0.1
Cost-of-Living Index (1980 = 100)	108.1	118.2	128.4	133.5

The Belgian economy is emerging from the doldrums, but tougher austerity measures 25X1 and structural weaknesses will permit only slow progress. Real growth in 1985 probably will not exceed 1.5 percent, disappointing government hopes of attaining a 3-percent increase. Even this small gain will be welcome, however, as the Martens government tries to sustain its politically controversial economic recovery program. Although both Social Christian and Liberal members of the coalition approved the tough new measures in mid-March after protracted negotiations, the result is likely to be increased social and regional tensions. Furthermore, the rate of unemployment has topped 12 percent and is not likely to fall next year. These strains will test the government's resolve and stability between now and the national elections, which must be held by fall 1985.

The principal objective of the economic recovery program is to lower the budget 25X1 deficit from 13 percent of GDP in 1983 to 7-8 percent by 1986. Prime Minister Martens wants to achieve this ambitious reduction almost exclusively by expenditure cuts, including decreases in cost-of-living adjustments for wages and most social security benefits. This continued squeeze on incomes will hold down the growth of domestic consumption, but, on the bright side, the rate of inflation is likely to slow further -- from 7 percent in 1984 to about 5 percent in 1985. The current account deficit, however, probably will not show further improvement.

TRADE AND PAYMENTS (Billion $US, BOP Basis)	1981	1982	1983	1984*
Exports of Goods and Services	87.3	82.9	75.5	76.4
Imports of Goods and Services	90.2	84.4	75.2	77.0
Balance of Goods and Services	-2.9	-1.5	0.3	-0.6
Current Account Balance	-4.2	-2.7	-0.8	-1.0
Long-Term Capital	-4.6	-3.7	-5.1	-5.5
Total Reserves Minus Gold (yearend)	5.0	3.9	4.7	4.6**

*Projected
**September

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CANADA: GENERAL ECONOMIC DATA

Population (1983): 24.9 Million GDP (Purchaser's Value)/Capita: $13,080

Total Output (Billion $US - 1983 Exch Rate)	1981	1982	1983	1984*
GDP (Purchaser's Value - Current Prices)	284.5	300.0	325.7	350.4
GDP (Constant Prices - % Change by Year)	3.3	-4.4	3.0	3.2
Cost-of-Living Index (1980 = 100)	112	125	132	138

[redacted] The Canadian economy has continued its slow recovery in 1984, recording real GNP growth of 3 percent in the first half. This rate probably will continue for the rest of the year before falling to 2.5 percent in 1985. Consumer spending -- the driving force behind the recovery -- is likely to remain strong. Business capital spending has slowly begun to increase, and we expect that it will be up by 4 percent in 1985. The inflation rate meanwhile has slowed to around 4 percent and probably will increase only moderately in the coming year. Unemployment -- currently 11.3 percent -- continues to be a major problem, with no improvement likely in 1985. 25X1

[redacted] The top priority of the new Mulroney administration appears to be controlling government spending and reducing the budget deficit -- although Finance Minister Wilson has promised to provide $760 million for job creation in 1985. A combination of tax increases and spending cuts -- including a reduction of 2 percent in planned defense spending -- is designed to reduce the budget deficit in 1985 by an additional $2.7 billion, to $26.5 billion. We expect the government to propose additional reductions in next spring's budget. 25X1 25X1

[redacted] Canada's merchandise trade surplus probably will set a record in 1984 -- topping the 1983 figure of $16 billion -- and Canada will enjoy a current account surplus for the third consecutive year. In 1985, the trade surplus is expected to decline as import demand remains strong while slower US economic growth hurts exports. Canada's services deficit continues to grow, and as a result the current account probably will move from a small surplus this year to a small deficit in 1985.

TRADE AND PAYMENTS (Billion $US, BOP Basis)	1981	1982	1983	1984*
Exports of Goods and Services	83.9	82.4	87.7	96.2
Imports of Goods and Services	90.3	81.4	87.0	93.5
Balance of Goods and Services	-6.3	1.0	0.7	2.7
Current Account Balance	-5.0	2.1	1.3	0.9
Long-Term Capital	-9.7	5.9	0.5	-4.2
Total Reserves Minus Gold (yearend)	3.5	3.0	3.5	2.7**

*Projected
**September

DENMARK: GENERAL ECONOMIC DATA

Population (1983): 5.1 Million GDP (Purchaser's Value)/Capita: $11,060

Total Output (Billion $US - 1983 Exch Rate)	1981	1982	1983	1984*
GDP (Purchaser's Value - Current Prices)	44.8	51.2	56.4	61.9
GDP (Constant Prices - % Change by Year)	0.1	3.4	2.5	3.8
Cost-of-Living Index (1980 = 100)	112	123	132	140

The Danish economy has turned around dramatically since 1982, although real GNP growth of almost 4 percent this year may decelerate to around 3 percent in 1985. The government has made considerable progress in reducing inflation -- from over 9 percent in 1982 to around 6 percent currently, and perhaps to 4.5 percent in 1985 -- aided by the successful implementation of an exchange rate stabilization policy. In turn, the reduction in inflation and improved business conditions in general have resulted in an inflow of funds from abroad. 25X1

The current government can claim three major achievements: the steady postwar growth in public spending has been halted; the persistent decline in investment in recent years has been sharply reversed, with very strong gains in business investment projected for both 1984 and 1985; and wages are now increasing at their lowest rate -- around 4 percent -- in 25 years. Denmark's council of economic advisors, who agree on the need for further improvement in the country's competitive position, are encouraged by prospects for annual wage increases during 1985-87 within the 2-3 percent range. 25X1

While there is no great concern over the economic outlook as a whole, there are several problem areas. The current account deficit remains large, heavily burdened by interest payments on a foreign debt that now equals 65 percent of GDP. The government expects to bring the current account into balance by 1988 by improving the private sector's international competitiveness through lower inflation and interest rates, and by containing domestic demand. Although the central government deficit is down -- from 10.8 percent of GNP in 1982 to 8.5 percent this year -- further progress will be difficult because of high interest payments on the large and growing public debt. Unemployment also has failed to improve significantly, due mainly to long-term structural imbalances in the labor force. 25X1

TRADE AND PAYMENTS (Billion $US, BOP Basis)	1981	1982	1983	1984*
Exports of Goods and Services	23.2	22.2	22.5	23.3
Imports of Goods and Services	24.9	24.3	23.5	24.9
Balance of Goods and Services	-1.7	-2.1	-1.0	-1.6
Current Account Balance	-1.8	-2.2	-1.2	-1.6
Long-Term Capital	1.3	2.4	2.5	NA
Total Reserves Minus Gold (yearend)	2.5	2.3	3.6	3.7**

*Projected
**September

FRANCE: GENERAL ECONOMIC DATA

Population (1983): 54.7 Million GDP (Purchaser's Value)/Capita: $9,500

Total Output (Billion $US - 1983 Exch Rate)	1981	1982	1983	1984*
GDP (Purchaser's Value - Current Prices)	408.3	468.3	519.2	563.7
GDP (Constant Prices - % Change by Year)	0.2	2.0	1.0	1.0
Cost-of-Living Index (1980 = 100)	113	127	139	150

The austerity program adopted in 1983 has had considerable success in reducing inflation and improving the balance of payments. The current account deficit -- $12 billion just two years ago -- probably will be eliminated this year and a small surplus is expected in 1985. On a December-to-December basis, inflation could fall to about 7 percent this year and to 5.5 percent in 1985. More importantly, the inflation differential vis-a-vis France's major trading partners has been reduced to about 3 percentage points, although further progress will be slow. Real GDP will be up about 1 percent this year, the same increase recorded in 1983, while unemployment has risen to 10 percent and is not expected to fall soon. 25X1

During the past year the Socialists have continued their bold effort to restructure and modernize the economy by encouraging more labor flexibility and by diverting resources away from consumption and toward investment. Disappointing its labor union supporters, the government has authorized significant layoffs in mining, steel, shipbuilding, and automobiles. In addition, by letting Creusot Loire -- a major industrial firm -- fail, the government has put businesses on notice that it will not stand behind them in all circumstances. 25X1 25X1

While the government clearly is moving in the right direction, the problems it is addressing are deep-seated. Positive results from the new orientation thus will be slow to materialize under the best of circumstances. With growing political uncertainty due to the 1986 Assembly election and the 1988 presidential contest, economic growth is likely to remain sluggish, and it will probably be the end of the decade before unemployment falls below 7 percent.

TRADE AND PAYMENTS (Billion $US, BOP Basis)	1981	1982	1983	1984*
Exports of Goods and Services	168.7	156.5	148.5	153.0
Imports of Goods and Services	169.3	164.0	149.0	150.0
Balance of Goods and Services	-0.6	-7.5	-0.5	3.0
Current Account Balance	-4.8	-12.1	-4.4	0.0
Long-Term Capital	-8.8	1.2	9.7	2.0
Total Reserves Minus Gold (yearend)	22.3	16.5	19.8	22.1**

*Projected
**September

GREECE: GENERAL ECONOMIC DATA

Population (1983): 9.9 Million   GDP (Purchaser's Value)/Capita: $3,490

Total Output (Billion $US - 1983 Exch Rate)	1981	1982	1983	1984*
GDP (Purchaser's Value - Current Prices)	23.1	28.7	34.5	41.3
GDP (Constant Prices - % Change by Year)	-0.3	-0.1	0.2	2.0
Cost-of-Living Index (1980 = 100)	125	151	182	215

Real GDP finally will record a 2-percent increase in 1984 following three years of complete stagnation. Overall, however, the economy has continued to deteriorate as unemployment rose above 8 percent and private investment declined for the fifth consecutive year, while inflation remained in the 18-20 percent range. Relations between the government and the private sector worsened as more firms came under government control through various devices -- ranging from government intervention to "save" them from financial difficulties to official charges of illegal actions. 25X1

The balance of payments also worsened somewhat this year. While exports have risen nearly 25 percent, increases in imports -- due mainly to a large rise in oil purchases -- and a decline in invisible receipts have pushed the current account deficit higher and it is likely to exceed $2 billion this year. Athens has increased its foreign borrowing to finance the deficit, and the growing debt has bankers concerned. 25X1

The outlook for the economy is not very bright. With real economic growth not expected to pick up in 1985, unemployment probably will edge up. Inflation meanwhile is likely to continue in the 18-20 percent range as the public sector deficit remains around 15 percent of GDP and Athens pursues a relaxed incomes policy. The current account deficit probably will worsen, making it increasingly likely that Athens will need to turn to the IMF or the EC for assistance within the next two years. 25X1

TRADE AND PAYMENTS (Billion $US, BOP Basis)	1981	1982	1983	1984*
Exports of Goods and Services	9.2	7.9	7.2	8.9
Imports of Goods and Services	12.8	11.4	10.8	12.0
Balance of Goods and Services	-3.6	-3.5	-3.8	-3.1
Current Account Balance	-2.4	-1.9	-1.9	-2.1
Long-Term Capital	1.6	1.2	2.1	2.1
Total Reserves Minus Gold (yearend)	1.0	0.9	0.9	1.2**

*Projected
**August

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ICELAND: GENERAL ECONOMIC DATA

Population (1983): 0.24 million   GDP (Purchaser's Value)/Capita: $8,820

Total Output (Billion $US - 1983 Exch Rate)	1981	1982	1983	1984*
GDP (Purchaser's Value - Current Prices)	0.9	1.3	1.3	2.1
GDP (Constant Prices - % Change by Year)	1.6	-1.5	-5.5	-1.3
Cost-of-Living Index (1980 = 100)	151	225	418	500

[redacted] Iceland's economy is expected to contract by about 1 percent in 1984 -- the third 25X1 consecutive year of falling output. This is still an improvement from the sharp decline recorded in 1983, reflecting an increase in the volume of the fish catch -- which accounts for over 70 percent of export earnings and about 20 percent of GDP -- along with a rise in the value of output of fishery products. While there are signs that the prolonged recession has bottomed out, GNP has fallen almost 10 percent in 3 years, and living standards have dropped by 17-18 percent since 1981. Unemployment has risen above 1 percent -- a high level by Icelandic standards. At the same time, inflationary expectations are still to be broken -- the excessive wage settlements of over 20 percent that resulted from a month-long strike in October likely will push 1984 inflation up to at least 20 percent from a previous forecast of 13-15 percent, and the 1985 rate may be nearer to 35 percent. 25X1

[redacted] Prospects for overall economic improvement in 1985 -- despite austerity efforts of the current government -- appear slim. In hindsight, government officials admit the main problem since May 1983, when the austerity program was launched, has been the failure to follow sufficiently strict fiscal and monetary policies to back the original package, whose major achievement was to squeeze consumer demand and reduce record inflation. Even more important in the short term is the government's apparent failure to curb domestic lending by the commercial banks and its excessive foreign borrowing -- the 1985 budget deficit of $60 million was bridged primarily by borrowing abroad. Foreign debt, currently equivalent to 60 percent of GDP, is growing, and debt service costs are roughly 22 percent of annual export earnings. Imports also were unexpectedly high this year, pushing the current account deficit to an alarming 4-5 percent of GDP. 25X1

[redacted] Over the longer term there is great concern about Iceland's ability to tackle the structural readjustments needed to adapt the economy to a more competitive international environment. The government has indicated its intention to invest in and develop the aluminum and ferro-silicon industries -- which account for over half of non-fishing export earnings -- as well as geothermal and hydroelectric power. These areas, however, along with the construction sector, probably are the most vulnerable to expenditure cuts if it becomes necessary to moderate a renewed inflationary surge.

TRADE AND PAYMENTS (Billion $US, BOP Basis)	1981	1982	1983	1984*
Exports of Goods and Services	1.22	1.05	1.10	NA
Imports of Goods and Services	1.36	1.31	1.15	NA
Balance of Goods and Services	-0.14	-0.26	-0.05	NA
Current Account Balance	-0.14	-0.26	-0.05	NA
Long-Term Capital	0.20	0.21	0.08	NA
Total Reserves Minus Gold (yearend)	0.23	0.15	0.15	0.11**

*Projected
**August

25X1

ITALY: GENERAL ECONOMIC DATA

Population (1982): 56.8 Million GDP (Purchaser's Value)/Capita: $6,210

Total Output (Billion $US - 1983 Exch Rate)	1981	1982	1983	1984*
GDP (Purchaser's Value - Current Prices)	264.4	310.4	352.8	398.7
GDP (Constant Prices - % Change by Year)	0.2	-0.4	-1.2	2.2
Cost-of-Living Index (1980 = 100)	118	137	157	174

[redacted] This year Italy finally rebounded from the international recession and will probably attain a growth rate of just over 2 percent, largely on the strength of a pickup in consumption spending and exports. Inflation meanwhile has slowed, partly because of restraint on wage growth due to a ceiling on wage indexation. Prices this year will be up about 11 percent -- down from 15 percent in 1983 but still higher than the rates for other major industrialized countries. 25X1

[redacted] On the down side, economic recovery has caused import growth to outpace export gains in both volume and value. As a result, the trade deficit expanded by nearly $1 billion in the January-August period and contributed to a deterioration in the current account balance. In addition, unemployment continues to rise, hitting 10.1 percent in July, largely because many of the big firms have been trimming their excess workforces. 25X1

[redacted] Rome recently set its principal economic objectives for 1985. These include limiting the inflation rate to 7 percent, the current account deficit to about $1 billion, and the budget deficit to about $58 billion (14.4 percent of GDP), while still achieving a GDP growth rate of 2.5 percent The budget and inflation targets are likely to prove elusive. Prime Minister Craxi's Socialist-led government seems reluctant to reduce or even control spending in the politically sensitive health and pension sectors. Moreover, proposed tax increases are running into opposition from parliament and business. Wage costs, a major contributor to Italy's inflation problem, could also prove difficult to contain. Most major industrial contracts will be up for renewal next year, and unions are taking a hard line on any significant modifications in Italy's wage indexation system -- a key employers' demand. Lack of effective action on wages and the budget deficit will probably keep inflation in the double-digit range. 25X1

Trade and Payments (Billion $US, BOP Basis)	1981	1982	1983	1984*
Exports of Goods and Services	100.5	98.9	96.2	112.0
Imports of Goods and Services	109.9	105.5	98.0	115.5
Balance of Goods and Services	-9.4	-6.7	-1.8	-3.5
Current Account Balance	-8.6	-5.7	-0.6	-2.1
Long-Term Capital	8.5	5.1	-0.3	NA
Total Reserves Minus Gold (yearend)	20.1	14.1	20.1	20.1**

*Projected
**September

NETHERLANDS: GENERAL ECONOMIC DATA

Population (1983): 14.4 Million GDP (Purchaser's Value)/Capita: $9,140

Total Output (Billion $US-1983 Exch Rate)	1981	1982	1983	1984*
GDP (Purchaser's Value - Current Prices)	123.8	128.7	131.6	138.3
GDP (Constant Prices - % Change by Year)	-0.8	-1.6	1.2	1.5
Cost-of-Living Index (1980 = 100)	107	113	116	120

The Dutch economy is growing at a modest 1.5-percent pace in 1984, led by a rise in business investment and exports; consumer spending is down slightly. The government's austerity program probably will keep growth below 2 percent in 1985 with investment and exports again likely to lead the expansion. Unemployment has continued to rise -- reaching 14 percent according to the OECD definition or 17.5 percent according to the Dutch measure -- with little hope for improvement in 1985. Inflation has accelerated somewhat this year, to 3.5 percent, but likely will fall to 2 percent in 1985, because of moderation in labor costs and the expected appreciation of the guilder. 25X1

The Hague faces increased political and social pressures as it continues to reduce the budget deficit -- more than $12 billion in 1984, or approximately 9.6 percent of GDP -- by cutting back social welfare spending. The Dutch have exceeded their budget reduction goals in 1984 and should be successful in reaching their 1985 goal of reducing the deficit to 8.9 percent of GDP. Lower borrowing requirements by the government combined with an expected increase in available funds should allow interest rates to fall slightly.

The current account surplus increased strongly in the first half of 1984 because of a significant increase in energy exports and because low Dutch inflation rates have boosted export price competitiveness. Slow economic growth will keep import demand moderate and probably will contribute to a larger surplus on the trade and current account balances in 1985. 25X1

TRADE AND PAYMENTS (Billion $US, BOP Basis)	1981	1982	1983	1984*
Exports of Goods and Services	91.1	88.0	84.1	88.1
Imports of Goods and Services	86.8	84.9	79.5	78.9
Balance of Goods and Services	4.4	3.1	4.6	9.2
Current Account Balance	2.9	3.7	3.6	5.2
Long-Term Capital	-2.7	-3.4	-2.1	-1.7
Total Reserves Minus Gold (yearend)	9.3	10.1	10.2	9.6**

*Projected
**September

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NORWAY: GENERAL ECONOMIC DATA

Population (1983): 4.1 Million GDP (Purchaser's Value)/Capita: $13,400

Total Output (Billion $US - 1983 Exch Rate)	1981	1982	1983	1984*
GDP (Purchaser's Value - Current Prices)	45.3	49.7	55.0	60.2
GDP (Constant Prices - % Change by Year)	0.8	-0.6	3.2	3.2
Cost-of-Living Index (1980 = 100)	114	127	137	146

The Norwegian economy is expected to grow less than 2 percent in 1985 because of slower expansion of the oil production that has provided most recent growth and brought the oil sector's contribution to over 17 percent of GDP. Industrial production is forecast to increase about 2 percent, after being nearly stagnant since the late 1970s -- the result of the world recession's impact on demand for Norwegian raw materials and semi-manufactures. Both import and export growth will slow, but Norway still is expected to have a large positive trade balance next year and a current account surplus of over $2.5 billion. Although oil production will level off for the remainder of the decade as older fields decline, the value of output and of government revenues is expected to remain stable. A more serious threat to the Norwegian economy would be a sharp decline in the dollar exchange rate or a fall in oil prices. 25X1

Inflation has fallen from 8.5 percent in 1983 to about 6.2 percent this year -- still higher than major competitor countries -- and wage increases of over 7 percent have undermined government efforts to improve international competitiveness. The krone's continued appreciation against Norway's major European trade partners has also hurt Norwegian trade. The government expects inflation to dip below 6 percent next year, but the record suggests that it has faint hope of holding wages to the 5 percent target it has established. The Central Bank has recently announced measures that have the effect of depreciating the krone 2 percent in an effort to prevent a further decline in competitiveness. 25X1

The 1985 election year budget reflects the Conservative-led government's concern over its major weakness -- a politically damaging unemployment rate that has averaged close to 4 percent this year. The planned tax reductions and job creation measures probably will not have a significant impact on unemployment, however. Despite the strong fiscal stimulus to the nonoil economy, revenue from taxes on North Sea oil production will produce an overall budget surplus of nearly $1 billion. Oil taxes provided nearly 12 percent of budget revenues this year and enabled the government to support social programs without threatening the commitment to 3.5-percent real growth in defense spending. 25X1

TRADE AND PAYMENTS (Billion $US, BOP Basis)	1981	1982	1983	1984*
Exports of Goods and Services	28.7	27.3	26.8	29.1
Imports of Goods and Services	25.8	26.0	24.0	25.0
Balance of Goods and Services	2.9	1.3	2.8	4.1
Current Account Balance	2.2	0.7	2.2	3.4
Long-Term Capital	-0.7	0.3	-1.5	NA
Total Reserves Minus Gold (yearend)	6.3	6.9	6.6	8.4**

*Projected
**August

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PORTUGAL: GENERAL ECONOMIC DATA

Population (1983): 10.0 Million   GDP (Purchaser's Value)/Capita: $2,050

Total Output (Billion $US - 1983 Exch Rate)	1981	1982	1983	1984*
GDP (Purchaser's Value - Current Prices)	13.5	17.0	20.5	26.3
GDP (Constant Prices - % Change by Year)	1.8	3.0	-0.5	-1.5
Cost-of-Living Index (1980 = 100)	120	147	184	240

Lisbon should cut last year's $1.7 billion current account deficit by more than half, easily coming in under targets established by its 1983 standby agreement with the IMF. Imports continue to fall, reflecting declines in real disposable income and investment. Merchandise exports should be up at least $500 milion because of slack domestic demand, a pickup in West European growth, and last year's 12-percent devaluation. The sharp improvement in the current account deficit has alleviated Lisbon's liquidity problems. Portuguese authorities sought only one $400 million loan on the international financial markets this year and have sold only $50 million worth of gold, down from $700 million in 1983. 25X1

The Soares government is not abiding by other terms of the IMF standby program, however, and the Fund has refused to allow Lisbon to resume drawings. Short-term debt and public sector domestic credit exceeded the ceilings the Fund set for 31 July because Lisbon has not established controls on state enterprises' borrowing. In addition, Lisbon has backed away from raising prices on government-subsidized goods and has exceeded the IMF's limit for the budget deficit. The Portuguese are also dragging their feet on restructuring inefficient public sector firms and have not reached an agreement with the World Bank on terms for assistance. 25X1

With the IMF stabilization program ending in February 1985, Lisbon is coming to another crossroads. The Soares government recognizes the dangers of abruptly switching to an expansionary policy, but the fall elections make continued austerity politically unsustainable. At the end of 1984, real wages will be about 20 percent lower than they were three years ago and Lisbon almost certainly will not resist pressure to ease up. Given the sensitivity of import demand to increases in real income, the current account deficit will start to swell. Another appeal to the IMF can be ruled out in the near term; over the longer run, Lisbon's past inability to balance its domestic objectives against its balance-of-payments constraints suggests that a new round of stop-and-go policies is possible.

TRADE AND PAYMENTS (Billion $US, BOP Basis)	1981	1982	1983	1984*
Exports of Goods and Services	6.3	5.8	6.3	6.8
Imports of Goods and Services	11.9	11.7	10.0	9.5
Balance of Goods and Services	-5.6	-5.9	-3.7	-2.7
Current Account Balance	-2.8	-3.2	-1.7	-0.7
Long-Term Capital	1.8	2.6	1.3	0.5
Total Reserves Minus Gold (yearend)	0.5	0.4	0.4	0.8**

*Projected
**August

SPAIN: GENERAL ECONOMIC DATA

Population (1983): 38.2 Million   GDP (Purchaser's Value)/Capita: $4,160

Total Output (Billion $US - 1983 Exch Rate)	1981	1982	1983	1984*
GDP (Purchaser's Value - Current Prices)	120.8	138.6	158.8	178.8
GDP (Constant Prices - % Change by Year)	0.2	1.2	2.3	2.5
Cost-of-Living Index (1980 = 100)	114	131	147	160

[redacted] Madrid will come close to meeting most of its goals this year, with the major exception of unemployment -- now close to 20 percent. Real GDP growth will hit the government's 2.5-percent target, due almost entirely to strong export demand. Spurred by the recovery in the major industrial countries and by an improvement in price competitiveness, real exports were up by more than 20 percent during the first half, compared with the same period last year. Domestic demand shows signs of weakening and both private consumption and investment probably will fall in real terms. 25X1

[redacted] Slack demand, smaller wage gains, and a moderation of import prices should bring inflation down about 3 percentage points to 9 percent in 1984. Meanwhile, the export drive and slower import demand are producing a dramatic improvement in the current account balance -- we expect a deficit of only $0.5 billion this year, down from $2.5 billion in 1983 and $5.0 billion in 1981. 25X1

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[redacted] Madrid is counting on a strong revival of investment to push real GDP up 3 percent next year and has introduced a three-pronged policy to achieve its objective. The better-than-expected current account performance has prompted the government to ease its monetary policy to stimulate investment growth. The Socialists have also put forward a draft budget that aims at trimming the budget deficit from 5.5 percent of GDP this year to 5 percent in 1985 in order to avoid crowding out private investment. In addition, the Gonzalez administration has hammered out an agreement covering wage guidelines and fiscal policy with the Socialist UGT trade union and with business. Labor leaders accepted a slight cut in real wages next year in return for Madrid's promise to expand unemployment benefits coverage and create new public sector jobs. Businessmen won a slight reduction in their share of social security contributions. These measures will lower labor costs and encourage hiring; even so, the government projects that unemployment will come down less than 1 percentage point.

TRADE AND PAYMENTS (Billion $US, BOP Basis)	1981	1982	1983	1984*
Exports of Goods and Services	34.4	34.8	33.6	36.1
Imports of Goods and Services	41.0	40.6	37.2	36.6
Balance of Goods and Services	-6.6	-5.8	-3.6	-0.5
Current Account Balance	-5.0	-4.1	-2.5	-0.5
Long-Term Capital	4.2	1.8	2.2	5.2
Total Reserves Minus Gold (yearend)	10.8	7.9	7.4	11.8**

*Projected
**August

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TURKEY: GENERAL ECONOMIC DATA

Population (1983): 49.2 Million GDP (Purchaser's Value)/Capita: $1030

Total Output (Billion $US - 1983 Exch Rate)	1981	1982	1983	1984*
GDP (Purchaser's Value - Current Prices)	33.9	38.1	50.8	78.5
GDP (Constant Prices - % Change by Year)	4.7	4.3	3.8	5.5
Cost-of-Living Index (1980 = 100)	138	183	235	348

Prime Minister Ozal has come under increasing criticism for the rise in the inflation rate -- now about 55 percent -- even though much of this increase is the result of overdue price increases on state sector goods, or is attributable to the loose economic policies followed by the previous government. Inflation recently has shown signs of slowing, and it is expected to fall to around 30-35 percent in 1985. With the industrial sector -- exports in particular -- leading the way, GDP growth will exceed 5 percent this year. Economic growth should continue at a 5-percent pace in 1985, but unemployment will remain around 20 percent because the growth in employment will be largely offset by an increase in the labor force. 25X1

The balance of payments has improved in 1984, due mainly to a substantial rise in exports -- up 32 percent in dollar value in the first eight months. Imports have risen only moderately, and the trade deficit has narrowed by nearly one-fourth. Rising interest payments on rescheduled debt and a sharp drop in tourism receipts, however, have slowed the improvement in the current account. The outlook for 1985 is encouraging, with exports expected to rise 10-15 percent and the current account deficit expected to narrow slightly to around $1.4 billion. 25X1

Despite the progress made since 1979, Turkey's economic condition remains fragile. Ankara will continue to need substantial amounts of aid as large payments on rescheduled debt began falling due this year and will peak in 1985. Ozal's political position has weakened as opposition to his program has grown and problems within his own party have emerged. We believe, however, that Ozal's government is not in danger of falling in the near term and that his economic policies could lay the foundation for stable growth, given the time to work. 25X1

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TRADE AND PAYMENTS (Billion $US, BOP Basis)	1981	1982	1983	1984*
Exports of Goods and Services	5.9	7.9	8.1	10.5
Imports of Goods and Services	10.4	10.9	11.4	13.0
Balance of Goods and Services	-4.5	-3.0	-3.3	-2.5
Current Account Balance**	-1.9	-1.3	-2.2	-1.5
Long-Term Capital	0.4	0.1	-0.6	NA
Total Reserves Minus Gold (yearend)	1.3	0.9	1.3	1.0***

*Projected
**Before debt relief
***September

 25X1

UNITED KINGDOM: GENERAL ECONOMIC DATA

Population (1983): 55.8 Million GDP (Purchaser's Value)/Capita: $8,150

Total Output (Billion $US-1983 Exch Rate)	1981	1982	1983	1984*
GDP (Purchaser's Value - Current Prices)	381.7	418.3	456.3	486.0
GDP (Constant Prices - % Change by Year)	-0.9	2.2	3.5	2.0
Cost-of-Living Index (1980 = 100)	112	122	127	133

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The coal miners' strike, which began in March, has hurt the economy; most forecasters estimate that it has shaved growth this year by at least 1 percentage point to around 2 percent. Nevertheless, with low inflation -- currently 4.5 percent -- falling interest rates, and a record low pound value against the dollar, investment and exports are expected to fuel the economy next year and make up for sluggish consumer spending; real GDP growth consequently should rebound to 3 percent, if the miners' strike is settled before spring. Unemployment, however, will continue to rise beyond the current 13 percent of the workforce. While Thatcher has publicly identified this as a major economic priority, London probably will not institute any specific jobs programs but instead may address the problem with tax reforms designed to reduce the cost of hiring additional workers. 25X1

Prime Minister Thatcher has reaffirmed a tight fiscal and monetary stance for Britain even though the miners' strike will add to budget overruns this year of at least $2 billion. Compounding the budget problem are large outlays for unemployment compensation, cuts in oil taxation designed to spur exploration, and the ongoing difficulties of the nationalized industries. The government thus is likely to have trouble meeting its ambitious goal of reducing the deficit to $10.9 billion for FY 1984/85. The Treasury, however, expects to realize $3.2 billion during 1985 from sales of nationalized companies to private investors, which should partially ease the current budget crunch. 25X1

Britain's current account registered record monthly deficits in April and September and the cumulative balance for 1984 probably will be a deficit of $1 billion -- far below the Treasury's March forecast of a $2.8 billion surplus. The miners' strike again is responsible for much of the deterioration. In addition to cutting coal and steel exports, it has caused London to maximize the use of oil for electricity generation, reducing the country's net surplus in oil trade.

TRADE AND PAYMENTS (Billion $US, BOP Basis)	1981	1982	1983	1984*
Exports of Goods and Services	157.2	147.1	138.8	141.1
Imports of Goods and Services	138.2	133.6	131.0	138.1
Balance of Goods and Services	19.0	13.5	7.8	3.0
Current Account Balance	15.1	9.8	4.4	-1.0
Long-Term Capital	-18.0	-15.1	-11.4	-17.1
Total Reserves Minus Gold (yearend)	15.2	12.4	11.3	9.2**

*Projected
**September

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WEST GERMANY: GENERAL ECONOMIC DATA

Population (1983): 61.5 Million GDP (Purchaser's Value)/Capita: $10,620

Total Output (Billion $US - 1983 Exch Rate)	1981	1982	1983	1984*
GDP (Purchaser's Value - Current Prices)	605.2	627.6	653.4	684.0
GDP (Constant Prices - % Change by Year)	-0.3	-1.1	1.3	2.5
Cost-of-Living Index (1980 = 100)	106	110	114	118

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West Germany is enjoying the best growth performance among the major West European economies in 1984, and we expect continued moderate expansion next year. Exports are the driving force behind growth as West German manufacturers take advantage of the strong dollar to expand foreign market shares. The traditional export sectors -- steel, chemicals, autos, machinery, and engineering -- are all benefiting. Foreign demand will remain the main source of growth in 1985, although export volume will not match the 8-percent increase estimated for this year. Private investment is proceeding at an acceptable 4 to 5 percent annual rate, as firms push modernization programs delayed by the recession. Other components of the economy are not faring as well, however. Private consumption has remained weak due to slack labor market conditions while Bonn's devotion to budget-balancing has imposed austerity on public consumption and investment. 25X1

Consumer price increases this year and next will fall within the 3-4 percent range, continuing evidence of Bonn's success in taming inflation. Unemployment remains the most intractable problem; the 9.4-percent unemployment rate recorded in 1984 is exceptionally high by historical standards, and no improvement is in sight. The expected moderate rate of economic growth will not generate many new jobs while high labor costs are causing German firms to adopt more capital-intensive production techniques. The Kohl government has no comprehensive plan to deal with unemployment, but the opposition, preoccupied with security and foreign policy matters, has not effectively exploited this issue.

TRADE AND PAYMENTS (Billion $US, BOP Basis)	1981	1982	1983	1984*
Exports of Goods and Services	219.9	219.5	209.8	212.9
Imports of Goods and Services	213.7	204.4	195.3	198.5
Balance of Goods and Services	6.2	15.1	14.5	14.4
Current Account Balance	-5.7	3.4	4.0	3.9
Long-Term Capital	3.5	-6.7	-2.6	-3.0
Total Reserves Minus Gold (yearend)	43.7	44.8	42.7	40.9**

*Projected
**September

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